

Lifeline Broadband Adoption Pilots

Background

- Robust, affordable broadband has become essential to access jobs, education, and economic opportunity.
 - Over 80 percent of Fortune 500 companies today – including Wal-Mart and Target – require online job applications. And students with broadband at home have a 7 percent higher graduation rate. But low-income households adopt broadband at much lower rates than the average household: Fewer than 36 percent of families with incomes less than \$25,000 subscribe to broadband at home, compared to nearly 92 percent of families with incomes over \$75,000, according to the U.S. Census Bureau.
- Recognizing the importance of broadband services for low-income Americans, the Commission directed the Wireline Competition Bureau (Bureau) to launch a pilot program to collect data on how the Lifeline program can be structured to increase broadband adoption (Broadband Pilot Program).
- Using \$14 million in savings from reforms, the Bureau selected 14 high-quality pilot projects to advance broadband adoption through Lifeline
 - Located in 21 states and Puerto Rico, the pilots will provide broadband for nearly 75,000 low-income consumers who now lack service.
 - The Broadband Pilot Program will run for 18 months, which began on Feb. 1, 2013. This includes 3 months to set up the pilots, 1 year of subsidized service and final 3 months for submission of data and analysis to Commission.

Description of Selected Pilot Projects

- The selected pilot projects will gather data and provide analysis on a wide range of geographic, technological and programmatic variables.
 - Projects include 5 wireless broadband projects; 7 wireline broadband projects, and 2 offering wireline and wireless technologies.
 - 7 projects will test discounted service in rural areas, including 2 on Tribal lands, and 7 will test discounted service in urban and suburban areas.
 - Variables that will be experimentally tested include use of digital literacy training, equipment types, speed ranges and usage limits.

Following is a list of projects and the states in which they are located.

1. Frontier Communications Corporation (OH, WV)
2. Gila River Telecommunications, Inc. (AZ – Tribal)
3. Hopi Telecommunications, Inc. (AZ – Tribal)
4. National Telecommunications Cooperative Association (NTCA) Project (which includes the following carriers: Alpine Communications (IA); and Leaco Rural Telephone (NM))
5. Nexus Communications, Inc. (OH, MI, IA, NV, CA, LA, MS, NJ)
6. Partnership for a Connected Illinois Project (which includes the following carriers: Adams Telephone Cooperative; Cass Telephone Company; Harrisonville Telephone Company;

Madison Telephone Company; Mid-Century Telephone Cooperative; Shawnee Telephone Company; and Wabash Telephone Cooperative (IL))

7. PR Wireless, Inc. (Puerto Rico)
8. Puerto Rico Telephone Company (Puerto Rico)
9. T-Mobile Puerto Rico LLC (Puerto Rico)
10. TracFone Wireless, Inc. project using smartphones (FL, MD, TX, WA, WI, MA)
11. Troy Cablevision, Inc. (AL)
12. Vermont Telephone Company, Inc. (VT)
13. Virgin Mobile USA, L.P. (MA, OH)
14. XChange Telecom Corp. (NY)

Brief Project Description of the Selected Pilot Program Projects

1. **Frontier (OH, WV)**: The project will study the impact of financial incentives to take digital literacy training on broadband adoption.

Frontier, in partnership with Connect Ohio (a subsidiary of Connected Nation) and Mission West Virginia, will test whether offering financial incentives increases the likelihood that subscribers will take digital literacy training. Frontier will permit subscribers to choose from three offers within the pilot project. The first is a \$20 monthly subsidy off a range of wireline broadband plans. The second requires participation in a digital literacy program and receives a \$30 monthly subsidy and a waiver of the \$34.99 non-recurring charge. The third choice requires participation in a digital literacy program in order to receive the \$20 monthly subsidy and a free computer. For the second and third offers, Frontier will have a test group in which subscribers are required to take training, and a control group, in which subscribers are encouraged to take training but will not receive incentives for doing so. This project is unique in testing whether a financial incentive to take digital literacy training can help in overcoming adoption hurdles (e.g., addressing relevance, privacy concerns). Lifeline support for this project will not exceed \$418,122, and includes reimbursement for non-recurring fees.¹

2. **Gila River Telecommunications, Inc. (AZ – Tribal)**: The project will study the effects of varying subsidy amounts and choices for speed.

Gila River, in partnership with NeoNova Network Services, Inc., Tinhorn Consulting and Letha Lamb, will test the effect of subsidy amounts, access to discounted equipment and broadband speeds on adoption by randomly assigning subscribers into five groups based on different price points, speed and access to equipment, which includes the use of a control group. The subsidy amounts for the broadband plans range from \$23.24 to \$38.24 with varying speeds. Gila River will track which consumers choose to participate based on the variations in broadband service. Lifeline support for this project will not exceed \$323,100, and includes reimbursement for non-recurring fees.²

3. **Hopi Telecommunications, Inc. (AZ – Tribal)**: The project will study the effects of varying end-user charges based on speed and access to discounted equipment.

Hopi, in partnership with Connected Nation, will test the effect of subsidy amounts, access to discounted equipment and broadband speeds on adoption by offering a flat subsidy of \$39.95 for three different plans with variations on end-user charge depending on speed, and access to discounted equipment. Hopi Telecommunications will be able to report on which prices were more effective in increasing adoption and the impacts on having access to discounted

¹ See Frontier Communications Application to Participate in the FCC's Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (Frontier Application); *see also* Supplement to Frontier Application, WC Dkt. 11-42 (filed August 22, 2012); Frontier Application, Unredacted Version (filed August 29, 2012); Second Supplement to Frontier Application, WC Dkt. 11-42 (filed September 26, 2012).

² See Gila River Telecommunications, Inc. Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed June 29, 2012) (Gila River Application).

equipment. Lifeline support for this project will not exceed \$226,752, with no reimbursement for non-recurring fees.³

4. NTCA Application (IA, NM): The project will study the effects of decreasing subsidy amounts over the year.

The NTCA Application, which includes Alpine Communications (IA) and Leaco Rural Telephone (NM), in partnership with Connected Nation, will test subsidy design by offering a range of wireline broadband plans in one state with a flat subsidy amount of \$25 per month for all 12 months and offering a range of wireline broadband plans in another state with a sliding scale subsidy that is initially \$40 per month for the first quarter and is reduced each quarter thereafter in increments of \$10, with the last quarter providing a subsidy of \$10 per month, thereby increasing the monthly end-user charge by \$30. Lifeline support for this project will not exceed \$202,652, and includes reimbursement for non-recurring fees. The budget is broken-up between the ETCs as follows: Alpine Communications' budget will not exceed \$35,995; and Leaco Rural Telephone's budget will not exceed \$166,657.⁴

5. Nexus (OH, MI, IA, NV, CA, LA, MS, NJ): The project will study the effects of varying subsidy amounts, usage limits and access to digital literacy.

Nexus, in partnership with Connect Ohio, will test the effect of subsidy amounts and digital literacy on adoption by giving one group of subscribers a \$15 subsidy, a second group \$20 and a third no subsidy (groups are offered plans based on zip code). These subsidies will lower the offered price by the subsidy amount for a menu of plans, which are varied based on usage limits. By allowing customers to select their usage limits, Nexus will be able to report subscribers' willingness to pay for data limit increases and also learn if subscribers were satisfied retrospectively with their choice. Lifeline support for this project will not exceed \$2,800,000, with no reimbursement for non-recurring fees.⁵

6. Partnership for a Connected Illinois Project (IL): The project will study the effects of access to digital literacy and consumers' choice among plans offering varying speed.

The Partnership for a Connected Illinois Project⁶, in partnership with Connected Living, Inc., Citizens Utility Board, and John B. Horrigan, will focus on studying the impact of digital literacy on adoption among the member ETCs by tracking usage and retention of service during the 12 month pilot to determine if such training helps subscribers overcome adoption hurdles (*e.g.*, relevance, privacy concerns). This project will test the impact of digital literacy

³ See Hopi Telecommunications, Inc. Application for the FCC's Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 9, 2012) (Hopi Application); *see also* Supplement to Hopi Application, WC Dkt. 11-42 (filed August 27, 2012); Second Supplement to Hopi Application, WC Dkt. 11-42 (filed October 2, 2012).

⁴ See Amendment to Application of Rural Carriers, WC Dkt. 11-42 (filed August 21, 2012) (NTCA Application); *see also* Supplement to NTCA Application, WC Dkt. 11-42 (filed September 24, 2012).

⁵ See Application of Nexus Communications, Inc., WC Dkt. 11-42 (filed July 2, 2012) (Nexus Application); *see also* Supplement to Nexus Application, WC Dkt. 11-42 (filed August 22, 2012); Second Supplement to Nexus Application, WC Dkt. 11-42 (filed September 24, 2012).

⁶ The Partnership for a Connected Illinois Project is comprised of Adams Telephone Cooperative, Cass Telephone Company, Harrisonville Telephone Company, Madison Telephone Company, Mid-Century Telephone Cooperative, Shawnee Telephone Company, and Wabash Telephone Cooperative.

by offering one group of subscribers a flat rate \$30 subsidy for 12 months off each of the ETCs' broadband plans that are priced based on speed, as well as intensive digital literacy training, and a second group of subscribers will receive the same \$30 subsidy but will not receive an offer for digital literacy training. The project will also study the choices subscribers make in determining speeds because they will be allowed to choose from speed packages offered by each participating ETC. Lifeline support will not exceed \$1,514,284, and includes reimbursement for non-recurring fees for each ETC.⁷

7. PR Wireless (Puerto Rico): The project will study the effects of providing a subsidy amount and access to different types of equipment.

PR Wireless, in partnership with Connected Nation, will test the effects of subsidy amounts and access to equipment on adoption by offering one group of consumers subsidized broadband and a second control group no subsidy. PR Wireless will offer a flat subsidy of \$25 off five different wireless broadband plans, each with the same end-user charge and usage limits, but with access to different equipment (*e.g.*, USB modem, hotspot modem (mi-fi), tablet, laptop, desktop) that the subscriber would pay for at a discounted amount. The study will collect data on how the type of equipment impacts data usage and adoption. Lifeline support for this project will not exceed \$661,613, and includes reimbursement for non-recurring fees.⁸

8. Puerto Rico Telephone Company (PRT) (Puerto Rico): The project will examine consumers' choice of wireline or wireless broadband, speeds for wireline broadband and usage limits for wireless broadband.

PRT, in partnership with The Research Office, Inc., will test consumers' preference for wireless or wireline broadband, and usage limits by offering subscribers the option to choose among four different project offerings with differing end-user prices. One option gives consumers the choice of wireline broadband that is bundled with wireline voice service at speeds of either 2 Mbps download, 1 Mbps upload or 4 Mbps download, 1 Mbps upload. PRT will offer consumers a \$5 subsidy off the wireline broadband plans. The other three project offerings give consumers the option of purchasing a wireless broadband plan with different usage limits of either 2 GB or 3 GB, that is either stand-alone broadband or bundled with wireline voice service. PRT will offer consumers the option of a \$5 subsidy off the

⁷ The budget for this project is broken up between the ETCs as follows: Adams Telephone Cooperative's budget will not exceed \$458,340; Cass Telephone Company's budget will not exceed \$497,640; Harrisonville Telephone Company's budget will not exceed \$90,587; Madison Telephone Company's budget will not exceed \$155,248; Mid-Century Telephone Cooperative budget will not exceed \$75,239; Shawnee Telephone Company's budget will not exceed \$85,260; and Wabash Telephone Cooperative's budget will not exceed \$151,970. *See* Partnership for a Connected Illinois Project Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (Partnership for a Connected Illinois Project); *see also* Supplement to Partnership for a Connected Illinois Project, WC Dkt. 11-42 (filed August 28, 2012); Second Supplement, WC Dkt. 11-42 (filed September 26, 2012).

⁸ *See* PR Wireless Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (PR Wireless Application); *see also* Supplement to PR Wireless Application, WC Dkt. 11-42 (filed August 3, 2012); Second Supplement to PR Wireless Application, WC Dkt. 11-42 (filed September 25, 2012).

bundled wireless plan, or \$18.50 off the stand-alone broadband plans. Lifeline support for this project will not exceed \$2,500,000, with no reimbursement for non-recurring fees.⁹

9. T-Mobile Puerto Rico LLC (T-Mobile) (Puerto Rico): The project will study the effects of outreach methods and varying usage limits.

T-Mobile, in partnership with Sistema Universitario Ana G Mendez and Centro Para Puerto Rico, will test certain advertising and outreach methods to determine which type of outreach most effectively increases broadband adoption. T-Mobile will offer a flat-rate subsidy of \$20 off broadband plans with varying usage limits. The budget for this project will not exceed \$505,400, with no reimbursement for non-recurring fees.¹⁰

10. TracFone Smartphone Project (FL, MD, TX, WA, WI, MA): The project will study the effects of subsidy amounts and discounted hardware.

TracFone, in partnership with Technology Goes Home, will test the effect of both discounted price and hardware cost on mobile broadband adoption and retention using four variations in its broadband service plans and one control group randomly assigned over a large, geographically diverse sample. By offering varying combinations of free or discounted hardware and \$10 or \$20 per month service, low-income customers' sensitivity to upfront and ongoing prices can be measured. By comparing the two variations in offers with the control group, which is priced at market rate, TracFone will be able to estimate the take-rate for each price point with 2 GB on data limits. Lifeline support for this project will not exceed \$915,000, with no reimbursement for non-recurring fees.¹¹

11. Troy Cablevision (AL): The project will study the effects of two different subsidy amounts.

Troy Cablevision, in partnership with the Alabama Department of Economic and Community Affairs and ICF International, will test the effects of subsidy amounts on adoption by offering a \$14 subsidy off a wireline broadband plan within two counties and offer a \$24 discount off the same wireline broadband plan in two separate counties. Lifeline support for this project will not exceed \$448,130, and includes reimbursement for non-recurring fees.¹²

⁹ See Puerto Rico Telephone Company, Inc. Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (PRT Application); *see also* Supplement to PRT Application, WC Dkt. 11-42 (filed August 16, 2012); Second Supplement to PRT Application, WC Dkt. 11-42 (filed August 30, 2012).

¹⁰ See T-Mobile Puerto Rico, LLC Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (T-Mobile Application); *see also* Supplement to T-Mobile Application, WC Dkt. 11-42 (filed August 15, 2012).

¹¹ See TracFone Wireless, Inc.'s Application to Participate in the Broadband Adoption Lifeline Pilot Program for Smartphones, WC Dkt. 11-42 (filed July 2, 2012) (TracFone Smartphone Application); *see also* Supplement to TracFone Smartphone Application, WC Dkt. 11-42 (filed August 27, 2012); Second Supplement to TracFone Smartphone Application, WC Dkt. 11-42 (filed September 24, 2012); Third Supplement to TracFone Smartphone Application, WC Dkt. 11-42 (filed September 27, 2012).

¹² See Troy Cablevision, Inc. Application for Low Income Broadband Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (Troy Cablevision Application); *see also* Supplement to Troy Cablevision Application, WC Dkt. 11-42 (filed August 10, 2012); Second Supplement to Troy Cablevision Application, WC Dkt. 11-42 (filed August 30, 2012).

12. Vermont Telephone (VT): The project will study the effect of increasing end user prices on retention.

Vermont Telephone, in partnership with Connected Nation, will test subsidy design and amounts by offering two different wireline broadband plans. Normally, Vermont Telephone's retail plans provide a lower rate during the first 6 months, and then increase to a higher monthly charge. For one plan, they will maintain a uniform \$9.95 end-user charge for the full 12 months. For the second plan, they will test a \$9.95 end-user charge for the first three months, followed by a \$14.95 end-user charge for the remaining 9 months. Lifeline support for this project will not exceed \$150,000, with no reimbursement for non-recurring fees.¹³

13. Virgin Mobile (MA, OH): The project will study the effects of subsidy amounts and discounted equipment.

Virgin Mobile, in partnership with Technology Goes Home, will test the effect on adoption and retention of discounted prices and device costs by randomly offering one of four treatment groups to a large, geographically diverse sample. Two groups of subscribers will pay \$20 while another two groups of subscribers will pay \$0 with a \$20 activation fee. This project will provide information on customers' relative sensitivity to upfront and ongoing costs, as well as the expected subscribership increase from a lower cost offering. This will also provide information on adoption and data usage. Lifeline support for this project will not exceed \$1,200,000, with no reimbursement for non-recurring fees.¹⁴

14. XChange (NY): The project will study the effects of varying subsidy amounts.

XChange, in partnership with the New York City Housing Authority, Older Adults Technology Services, City University of New York Computer Sciences Department and School of Public Affairs, Baruch College, and City University of New York, will focus on offering digital literacy to seniors, and will test a range of subsidy amounts of \$10, \$15 and \$20, by randomizing three different broadband plans priced at \$4.99, \$9.99 and \$19.99 based on buildings and neighborhoods in Central Brooklyn, New York. XChange will employ three different broadband technologies (two wireline plans and one fixed-wireless plan). Lifeline support for this project will not exceed \$1,897,320, and includes reimbursement for non-recurring fees.¹⁵

¹³ See Vermont Telephone Company, Inc. Application to Participate in Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (Vermont Telephone Application) *see also* Supplement to Vermont Telephone Application (filed September 5, 2012).

¹⁴ See Virgin Mobile USA, L.P. Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (Virgin Mobile Application); *see also* Supplement to Virgin Mobile Application, WC Dkt. 11-42 (filed August 31, 2012); Second Supplement to Virgin Mobile Application, WC Dkt. 11-42 (filed September 7, 2012); Third Supplement to Virgin Mobile Application, WC Dkt. 11-42 (filed September 24, 2012).

¹⁵ See XChange Telecom Corp. Application to Participate in the Broadband Adoption Lifeline Pilot Program, WC Dkt. 11-42 (filed July 2, 2012) (XChange Application); *see also* Supplement to XChange Application, WC Dkt. 11-42 (filed August 17, 2012).